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State/Territory Name: Arizona

State Plan Amendment (SPA) #: 25-0027

This file contains the following documents in the order listed:

1) Approval Letter
2) CMS 179 Form/Summary Form (with 179-like data)
3) Approved SPA Pages

DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
7500 Security Boulevard, Mail Stop S2-26-12
Baltimore, Maryland 21244-1850



Financial Management Group

November 5, 2026

Roberta Harrison
Interim State Medicaid Director
Arizona Health Care Cost Containment System
801 E. Jefferson Street
Phoenix, AZ 85034

RE: TN 25-0027

Dear Roberta Harrison:

The Centers for Medicare & Medicaid Services (CMS) has reviewed the proposed Arizona state plan amendment (SPA) to Attachment 4.19-D AZ 25-0027, which was submitted to CMS on December 4, 2025. The amendment updates the Nursing Facility Differential Adjusted Payment (DAP) Program for FFY 2026.

We reviewed your SPA submission for compliance with statutory requirements, including in sections 1902(a)(2), 1902(a)(13), 1902(a)(30), and 1903 as it relates to the identification of an adequate source for the non-federal share of expenditures under the plan, as required by 1902(a)(2) of the Social Security Act and the applicable implementing Federal regulations.

Based upon the information provided by the state, we have approved the amendment with an effective date of October 1, 2025. We are enclosing the approved CMS-179 and a copy of the new state plan page.

If you have any additional questions or need further assistance, please contact Diana Dinh at 670-290-8857 or via email at diana.dinh@cms.hhs.gov.

Sincerely,

Rory Howe

Rory Howe
Director
Financial Management Group

Enclosures

DEPARTMENT OF HEALTH AND HUMAN SERVICES
CENTERS FOR MEDICARE & MEDICAID SERVICES

FORM APPROVED
OMB No. 0938-0193

TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL

FOR: CENTERS FOR MEDICARE & MEDICAID SERVICES

1. TRANSMITTAL NUMBER: 25-0027

2. STATE: AZ

3. PROGRAM IDENTIFICATION: TITLE OF THE SOCIAL SECURITY ACT: (●) XIX ( ) XXI

TO: CENTER DIRECTOR
CENTERS FOR MEDICAID & CHIP SERVICES
DEPARTMENT OF HEALTH AND HUMAN SERVICES

4. PROPOSED EFFECTIVE DATE
October 1, 2025

5. FEDERAL STATUTE/REGULATION CITATION
42 CFR Part 447, Subpart C

6. FEDERAL BUDGET IMPACT (Amounts in WHOLE dollars)
a. FFY 2026 $ 434,700
b. FFY 2027 $ 0

7. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT
Attachment 4.19-D, page: 9(b), 9(c), 9(d), 9(e), 9(f), 9(g)

8. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT *(If Applicable)*
Attachment 4.19-D, page: 9(b), 9(c), 9(d), 9(e), 9(f), 9(g)

9. SUBJECT OF AMENDMENT
Updates the State Plan Nursing Facility (NF) Differential Adjusted Payment (DAP), effective October 1, 2025.

10. GOVERNOR'S REVIEW *(Check One)*
(●) GOVERNOR'S OFFICE REPORTED NO COMMENT
( ) COMMENTS OF GOVERNOR'S OFFICE ENCLOSED
( ) NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL
( ) OTHER, AS SPECIFIED:

11. SIGNATURE OF STATE AGENCY OFFICIAL
Kyle Sawyer

12. TYPED NAME
Kyle Sawyer

13. TITLE
Assistant Director, Public Policy and Strategic Planning

14. DATE SUBMITTED
December 4, 2025

15. RETURN TO
Kyle Sawyer
150 N. 18th Ave.
Phoenix, AZ 85007

FOR CMS USE ONLY

16. DATE RECEIVED
December 4, 2025

17. DATE APPROVED
11/5/2026

PLAN APPROVED - ONE COPY ATTACHED

18. EFFECTIVE DATE OF APPROVED MATERIAL
October 1, 2025

19. SIGNATURE OF APPROVING OFFICIAL
Rory Howe

20. TYPED NAME OF APPROVING OFFICIAL
Rory Howe

21. TITLE OF APPROVING OFFICIAL
Director, FMG

22. REMARKS

STATE OF ARIZONA
METHODS AND STANDARDS FOR ESTABLISHING FEE FOR SERVICE PAYMENT RATES FOR
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Nursing Facility Differential Adjusted Payment (Up to 2.0%)

As of October 1, 2025, through September 30, 2026 (Contract Year Ending (CYE) 2026), Nursing Facilities (Provider Type 22), that are located in Arizona with Arizona Medicaid utilization that meet AHCCCS established value-based performance metrics requirements below will receive Differential Adjusted Payments described below. The Differential Adjusted Payment Schedule represents a positive adjustment to the AHCCCS Fee-For-Service reimbursement rates. These payment adjustments will occur for all dates of service in CYE 2026 only. The purpose of the Differential Adjusted Payment is to distinguish facilities which have committed to supporting designated actions that improve patients' care experience, improve members' health, and reduce cost of care growth. The DAP methodology is consistent with 1902(a)(30)(A) of the Social Security Act (SSA) and 42 CFR Part 447 because it values quality of care positively, by getting an increase in payment, and by reaching measurable outcomes in the language in the plan pages. When a provider reaches the DAP thresholds, the members' health will have improved too, which meets the efficiency and economy standard because the members' health has improved. This nursing facility DAP focuses on Medicaid provider rate increases for providers who take action to improve member outcomes and promote important health initiatives. These incentives improve the quality of services and reduce overall costs. The base methodologies in this DAP are located in Attachment 4.19-D of the State Plan. The State-designated health information exchange is compliant with all applicable data privacy laws, including 42 CFR Part 431 Subpart F, HIPAA, and HITECH.

a. Health Information Exchange Participation (0.25%)

Nursing facilities that meet the following milestones are eligible to earn a 0.25% DAP. Cohort 1: Facilities that participated in the DAP HIE program in CYE 2024 and/or CYE 2025.

i. Milestone #1: No later than April 1, 2025, the facility must have in place an active Health Information Exchange (HIE) Participation Agreement and submit a signed Differential Adjusted Payment Statement of Work (DAP SOW) to the HIE organization. The participant list attached to the DAP SOW must contain each facility, including AHCCCS ID(s) and corresponding National Provider Identifier(s) (NPI), that the facility requests to participate in the DAP.

ii. Milestone #2: No later than March 1, 2025, the facility must launch the integration implementations project, have a Virtual Private Network (VPN) connection in place with the HIE, and electronically submit patient information to the HIE test environment. The facility is required to engage in interface testing as required by the HIE and focus on improving data integrity in the test environment.

iii. Milestone #3: No later than May 30, 2025, the facility must have actively accessed, and continue to access on an ongoing basis, patient health information via the HIE organization, utilizing one or more HIE services, such as the HIE Portal, standard Admission, Discharge, Transfer (ADT) Alerts, standard Clinical Notifications, or an interface that delivers patient data into the facility's Electronic Health Record (EHR) system.

iv. Milestone #4: No later than December 31, 2025, the facility must electronically submit the following patient identifiable information to the State-designated health information exchange meeting State-defined standards production environment of the HIE organization: ADT information from within the nursing facility; Continuity of Care Documents (CCD) reflecting a summary of care within the nursing facility including (if applicable): laboratory and radiology information; medication information; immunization data; active problem lists (diagnosis); social history; treatments and procedures conducted during the stay; advance directives; active allergies; and basic patient demographic data including assigned provider, emergency contact and payer. If a facility is in the process of integrating a new EHR system, the facility must notify the HIE organization and get the implementation timeline approved to continue meeting DAP requirements.

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Cohort 2: Facilities that have not participated in the DAP HIE program in CYE 2024 or CYE 2025.

i. Milestone #1: No later than April 1, 2025, the facility must have in place an active Health Information Exchange (HIE) Participation Agreement and submit a signed Differential Adjusted Payment Statement of Work (DAP SOW) to the HIE organization. The participant list attached to the DAP SOW must contain each facility, including AHCCCS ID(s) and corresponding National Provider Identifier(s) (NPI), that the facility requests to participate in the DAP.
    1. To request a HIE Participation Agreement and a DAP SOW email DAP@contexture.org.

ii. Milestone #2: No later than March 1, 2026, the facility must have actively accessed, and continue to access on an ongoing basis, patient health information via the HIE organization portal.

iii. Milestone #3: No later than March 1, 2026, facilities that utilize external reference labs for any lab result processing must submit necessary provider authorization forms to the HIE organization, if required by the external reference lab, to have all outsourced lab test results flow to the HIE on their behalf.

iv. Milestone #4: No later than May 1, 2026, the facility must launch the integration implementations project, have a Virtual Private Network (VPN) connection in place with the HIE, and electronically submit patient information to the State-designated health information exchange meeting State-defined standards test environment. The facility is required to engage in interface testing as required by the HIE and focus on improving data integrity in the test environment.

v. Milestone #5: No later than September 30, 2026, the facility must electronically submit the following patient identifiable information to the production environment of the HIE organization: ADT information from within the nursing facility; continuity of care documents reflecting a summary of care within the nursing facility including (if applicable): laboratory and radiology information; medication information; immunization data; active problem lists (diagnosis); social history; treatments and procedures conducted during the stay; advance directives; active allergies; and basic patient demographic data including assigned provider, emergency contact and payer.

b. Health Information Exchange: Data Quality (0.25%)

To be eligible for this DAP, facilities must have participated in the DAP HIE program in CYE 2024 and/or CYE 2025. Facilities that meet the following milestones are eligible to earn a 0.25% DAP.

i. Milestone #1: No later than April 1, 2025, the facility must have in place an active Health Information Exchange (HIE) Participation Agreement and submit a signed Differential Adjusted Payment Statement of Work (DAP SOW) to the HIE organization. The participant list attached to the DAP SOW must contain each facility, including AHCCCS ID(s) and corresponding National Provider Identifier(s) (NPI) that the facility requests to participate in the DAP.

ii. Milestone #2: No later than December 31, 2025, the facility must electronically submit the following patient identifiable information to the State-designated health information exchange meeting State-defined standards production environment of the HIE organization: Admission, Discharge, Transfer (ADT) information from within the nursing facility; continuity of care documents (CCD) reflecting a summary of care within the nursing facility including (if applicable): laboratory and radiology information; medication information; immunization data; active problem lists (diagnosis); social history; treatments and procedures conducted during the stay; advance directives; active allergies; and basic patient demographic data including assigned provider, emergency contact and payer.

iii. Milestone #3: No later than March 1, 2026, the facility must complete the data quality profile, based on January 2026 data, with the HIE organization. Data elements in the following measure categories will be included within the data quality profile:
    1. Measure 1: Data source and data site information must be submitted on ADT and/or Effective: 10/1/2025 Effective: 10/1/2025 CCD transactions;
    2. Measure 2: Patient demographic information must be submitted on ADT and/or CCD transactions;
    3. Measure 3: Race must be submitted on ADT and/or CCD transactions;
    4. Measure 4: Ethnicity must be submitted on ADT and/or CCD transactions; and
    5. Measure 5: Language must be submitted on ADT and/or CCD transactions.

iv. Milestone #4: No later than April 1, 2026, the facility must complete a data quality improvement plan as defined by the HIE organization with a goal of improving the quality of data elements.

v. Milestone #5: No later than September 1, 2026, a final data quality profile will be completed, based on July 2026 data to reassess data elements and performance improvement.

Quality improvement will be based on the HIE's Gold Standards. Refer to Attachment C for additional information.

c. Antipsychotic Medication Performance Measure (1.0%)

Nursing facilities that meet or fall below the statewide average percentage for the Antipsychotic Medication performance measure will qualify for a 1.0% DAP increase. On March 15, 2025, AHCCCS will download the most current data from the Medicare Provider Data Catalog website. Facility results will be compared to the Arizona average results for the measure. Facilities with percentages less than or equal to the statewide average score will qualify for the DAP increase.

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d. Depressive Symptoms Performance Measure (0.5%)

Nursing facilities that meet or fall below the statewide average percentage for the Depressive Symptoms performance measure will qualify for a 0.5% DAP increase. On March 15, 2025, AHCCCS will download the most current data from the Medicare Provider Data Catalog website. Facility results will be compared to the Arizona average results for the measure. Facilities with percentages less than or equal to the statewide average score will qualify for the DAP increase.

e. Exemptions

IHS and 638 tribally owned and/or operated facilities, including nursing facilities are exempt from this initiative based on payments primarily at the all-inclusive rate.

f. Payment Methodology

Nursing Facilities (Provider Type 22), Fee-for-Service payment rates will be increased up to a maximum of 2.0%. Reimbursement rates will be increased by 0.25% if the HIE Participation requirements are met, by 0.25% if the HIE DQ requirements are met, by 1.0% if the Antipsychotic Medication requirements are met, and by 0.5% if the Depressive Symptoms requirements are met. These increases do not apply to supplemental payments.

Facilities which submitted a DAP SOW and received an increase for CYE 2025 but failed to achieve one or more milestones in the DAP SOW or failed to maintain its participation in the milestone activities are ineligible to receive a DAP in CYE 2026.

If a provider is receiving a DAP in CYE 2026 and cannot meet a milestone and/or cannot maintain its participation in milestone activities, the provider must immediately notify AHCCCS. This notification must be made prior to the milestone deadline and must state the reason the milestone cannot be met. When applicable, DAP participants are subject to audits, at the discretion of AHCCCS. Within 30 days of AHCCCS being notified of a missed milestone, becoming aware of the provider's failure to maintain participation, and/or determining that the provider has failed a DAP audit, AHCCCS will remove the participant's eligibility for the DAP, effective immediately and for the remainder of the year.

If a facility receives a DAP increase for the entire CYE 2026 but it is determined subsequently that it did not meet the CYE 2026 milestones or failed to maintain its participation in the milestone activities in CYE 2026, that facility will be ineligible to receive this DAP for CYE 2027 if a DAP is available at that time.

Statewide averages are calculated using official CMS datasets which include a list of different averages for each state or territory as well as the national average. Providers with missing or incomplete data are deemed ineligible. In order for a provider to receive a performance score and incentive payment multiplier for Fiscal Year and Program Year 2026, nursing facilities must meet the case minimum during the performance period for at least two of the four quality measures.

The State uses facility-level quality measures published by CMS that reflect clinical practices across the facility population and are reasonably representative of care furnished to Medicaid beneficiaries.

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Reserved for future use.

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